

## **Draft Transition Plan**

For the Transfer of Medi-Cal Related Specialty Mental Health Services  
from the Department of Mental Health  
to the Department of Health Care Services, effective July 1, 2012.

Submitted by the Department of Health Care Services  
In Partial Fulfillment of Requirements of the Assembly Bill 102,  
Signed by the Governor on June 28, 2011

August 18, 2011

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## EXECUTIVE SUMMARY

As part of the Fiscal Year 2011-12 budget process, on June 28, 2011, Governor Brown signed Assembly Bill 102 (Chapter 29, Statutes of 2011), which enacted law to transfer the administration of Medi-Cal specialty mental health services, the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, and applicable federal Medicaid functions from the Department of Mental Health (DMH) to the Department of Health Care Services (DHCS), effective July 1, 2012. The law requires DHCS to submit a written transition plan to the fiscal and applicable policy committees of the Legislature no later than October 1, 2011, and permits submission of an updated transition plan no later than May 15, 2012.

The law directs DHCS to coordinate with DMH and convene a series of stakeholder meetings to obtain input that guides the development of the transition plan. Stakeholders consist of clients, their families, providers, counties and representatives of the Legislature. In addition to incorporating stakeholder input, DHCS and DMH must guide the transfer of functions in a manner that results in no unintended interruptions in service delivery to clients and families. This stakeholder process has proved complex as DHCS has sought input at the same time that DMH seeks stakeholder counsel on the future of the non-Medi-Cal mental health programs that it administers and both processes were challenged by the high interest in how they fit with the coming realignment of programs in 2012 and health care reform in 2014. Despite this complexity, much of which is not yet resolved, stakeholders provided great value in helping DHCS to understand the important challenge it faces in carrying out this transfer and the careful planning it requires.

This transition plan provides a background of the Medi-Cal program's delivery of mental health services in California and the role that DMH currently plays in the administration of certain components of the service continuum. It describes how the two departments conferred with stakeholders and the input they provided. The plan describes DHCS's organizational placement and leadership of the transferred functions, it outlines several key operational steps that are necessary to carry out the transfer, and it includes planned or proposed improvements of these functions during or upon DHCS's takeover of the programs and services.

AB 102's October 1, 2011, due date for submission of the plan and specific timing of stakeholder engagement created a challenging timeline. Given the significant importance of this program's services in clients lives, the aggressive timeline, and the Administration's intent and mandate to do this right, this October 1, 2011 transition plan will not be the final plan. DHCS intends to submit a bi-monthly update to the Legislature beginning November 15, 2011, and consistent with AB 102, DHCS will submit the final update by May 15, 2012. This will allow DHCS to develop and provide further detail on current and future transition activities, describe progress to date and continue stakeholder engagement as appropriate throughout this transition year and beyond. The plan will also serve as a tool for the new DHCS leadership that will oversee the administration of the program, lead the implementation of any program improvements, and provide guidance in preparing for the coming health care reform in 2014.

## INTRODUCTION

The Department of Health Care Services (DHCS) submits this Transition Plan in partial fulfillment of the requirements of Assembly Bill (AB) 102, Chapter 29, Statutes of 2011. (See Appendix A for complete text.)

Governor Brown signed AB 102 on June 28, 2011, thereby directing DHCS to collaborate with the Department of Mental Health (DMH) and the California Health and Human Services Agency (Agency) to create a transition plan that guides the transfer of Medi-Cal specialty mental health services, the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, and applicable functions related to federal Medicaid requirements, from DMH to DHCS, effective July 12, 2012. The legislation requires DHCS to submit the written transition plan to the fiscal and applicable policy committees of the Legislature no later than October 1, 2011, and consents to submission of an updated transition plan no later than May 15, 2012.

Ultimately, the transfer is intended to:

- Improve access to culturally appropriate community-based mental health services, including a focus on client recovery, social rehabilitation services, and peer support;
- Effectively integrate the financing of services, including the receipt of federal funds, to more effectively provide services;
- Improve state accountabilities and outcomes; and
- Provide focused, high-level leadership for behavioral health services within the state administrative structure.

AB 102 mandates the departments to convene a series of stakeholder meetings, commencing no later than July 15, 2011, to receive input from clients, family members, providers, counties, and representatives of the Legislature, and that this consultation shall inform the creation of the transition plan. In addition, AB 102 directs DHCS, DMH and Agency to convene and consult with stakeholders at least twice following production of a draft of the transition plan, and before submission to the Legislature.

The transition plan must be developed in a way that continues access and quality of service during and immediately after the transition, preventing any disruption of services to clients and family members, provider and counties and others affected by the transition. It must include the following components:

- A detailed description of the state administrative functions that DMH currently performs regarding Medi-Cal specialty mental health and the EPSDT program
- Explanations of the operational steps, timelines, and key milestones for determining when and how the departments will transfer each function or program, including explanations for the transition of DMH positions and staff and how they will relate to, and align with, positions at DHCS.

- A list of any planned or proposed changes or efficiencies in how DHCS will perform the functions, including the anticipated fiscal and programmatic impacts of the changes;
- A detailed organization chart that reflects the planned staffing at DHCS and includes focused, high-level leadership for behavioral health issues;
- A description of how the departments included stakeholders in the various phases of the planning process to formulate the transition plan(s), and a description of how DHCS will take their feedback into consideration after transition activities are underway.

While AB 102 provides a specific timeline for how DHCS must plan and implement the administrative transfer of the Medi-Cal specialty mental health services, the intent language within the legislation is more global in nature, and addresses the objectives for the final outcome. Some parties may hope or expect that DHCS will accomplish both a program transfer and a program renovation by July 1, 2012, but others recognize that thoughtful change takes time. Several stakeholders acknowledged this and affirmed that they did not expect DHCS to evaluate, prioritize, and implement the numerous suggestions they provided prior to the transfer.

To give the transfer of Medi-Cal specialty mental health services the consideration it deserves, DHCS must approach the transition and evaluation of changes to this program in a multi-step, multi-year process. The first and primary goal, however, must be the successful transition of the functions from DMH to DHCS by June 30, 2012. Since enactment of AB 102, DHCS has regularly met with DMH and convened stakeholders to discuss the transfer of specialty mental health services and identify challenges, risks, and objectives. DHCS has established several work groups of staff from both departments to review the internal processes, procedures, and program functions currently in place for the Medi-Cal's specialty mental health programs; these work groups will help determine how best to integrate this new workload into the current DHCS structure, yet ensure that the specialty mental health program and services maintain visibility and significance.

In the transition year of FY 2011-12, DHCS will assess the major categories of the functions and services coming from DMH to determine those areas that require immediate action, as well as those issues that will require time to assess and implement. DHCS will utilize the expertise of DMH staff that will transfer to DHCS, as well as the numerous stakeholders at the local level who bring a vital perspective to the analysis. DHCS will utilize this transition plan and all pertinent documents it has gathered during the process of internal and external stakeholder meetings and package them as a guidance tool for DHCS executive staff, including the new Deputy Director of Behavioral Health Services and the new chief of the Mental Health Services Division/Office.

The transition plan submitted as of October 1, 2011 represents the beginning of a complex yet timely process that provides DHCS the opportunity to evaluate and

potentially restructure a long existing program. DHCS commits to bi-monthly updates to the appropriate committees of the Legislature during the transition year to report its progress on meeting the requirements and intent of the language in AB 102.

The reader should note that while the select grouping of stakeholder comments have been mentioned in this transition plan, DHCS has carefully reviewed all submitted comments and is giving each suggestion consideration in the process of transferring Medi-Cal related specialty mental health services to DHCS for administration and oversight.

## BACKGROUND

Title XIX of the Social Security Act authorized Medicaid, which is a publicly funded federal entitlement program that pays for medical assistance for certain individuals and families with low incomes and resources such as children and families, pregnant women, seniors and persons with disabilities. Medicaid is jointly funded by the federal and state governments. A state's participation in the Medicaid program is voluntary, but if it chooses to participate, the state must provide federally specified mandatory benefits and serve mandatory populations. Each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the rate of payment for services; and administers its own program, all within broad national guidelines established by federal statutes, regulations, and policies. California's Medicaid program, called Medi-Cal, provides benefits beyond the federal minimum and has similarly expanded coverage to populations beyond the federal mandates.

All states participating in Medicaid must have a State Plan, which serves as a contractual agreement between the State and the federal government. The State must administer the State Plan in conformity with specific requirements of Title XIX of the Social Security Act and the Code of Federal Regulations. The State Plan contains all information necessary for the federal Centers for Medicare and Medicaid Services (CMS) to determine if the State can receive Federal Financial Participation. California's State Plan describes the nature and scope of the Medi-Cal program in addition to authorization or other requirements associated with covered benefits. All services covered under the State Plan must be medically necessary.

One of the mandatory benefits in the State Plan is Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) services, which must be available to full-scope Medi-Cal beneficiaries under 21 years of age.<sup>1</sup> Under EPSDT, federal law requires a Medicaid-participating state to provide any medically necessary health care service listed in Section 1905(r)(5) of the Social Security Act, even if the state did not elect to include the service in its State Plan. California's State Plan describes EPSDT services, and they include rehabilitative mental health services for seriously emotionally disturbed children: collateral, assessment, individual therapy, group therapy, medication service,

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<sup>1</sup> Full scope beneficiaries can access all benefits offered under the State Plan as long as they are medically necessary, whereas limited scope beneficiaries can access only specified benefits.

crisis intervention, day care - intensive, and day care - habilitation offered in local and mental health clinics or in the community.

California must provide assurances in its State Plan that its Medicaid program meets certain federal requirements contained in the Social Security Act such as Statewideness, Comparability of Services, and Freedom of Choice.<sup>2</sup> If a state wishes to administer components of its program outside of these requirements, it can request a waiver of such from the federal CMS. California operates the Medi-Cal program in accordance with the State Plan but has also elected the option of administering part of its program under several federally approved waivers, including one for specialty mental health services.

A state must identify a single state agency for operation of the Medicaid program, and in California this is DHCS. However, a state can also delegate to other entities its administration of certain components of its Medicaid program, as California has done with DMH for specialty mental health services. Despite any such delegation, as the Medicaid single state agency, DHCS must retain oversight of the program, monitor and ensure compliance with federal and state laws and regulations, and function as the liaison between the State and CMS. (See Attachment B for a description of current DHCS responsibilities for the Specialty Mental Health Services Waiver.)

#### Mental Health Services in the Medi-Cal Program

California provides an array of mental health services that range from the mandatory category, such as psychiatrist services, to optional categories, such as rehabilitative services. (As previously stated, any service required by eligible children and youth that meets EPSDT requirements is mandatory.) California provides basic mental health services via its Medi-Cal fee-for-service system or Medi-Cal managed care, and it provides specialty mental health services through county managed mental health plans (MHPs) under the Specialty Mental Health Services (SMHS) Consolidated Waiver. The SMHS waiver permits Medi-Cal to waive the freedom of choice requirement and requires beneficiaries to access services through the county MHP.

#### *Specialty Mental Health Services Consolidated Waiver*

California has delegated administration of the SMHS waiver to DMH through an interagency agreement that identifies the two departments' respective responsibilities. DMH, in turn, contracts with county MHPs to deliver mental health services to eligible Medi-Cal beneficiaries and provides oversight of those contracts. DMH also contracts with other entities to assist it with administration of the program such as certain audits of MHPs and providers and external quality reviews of MHPs.

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<sup>2</sup> Statewideness requires that the State Plan be in effect in all political subdivisions of the state; Comparability of Services requires that all services for categorically needy individuals be equal in amount duration and scope; and Freedom of Choice requires states to permit Medicaid beneficiaries to obtain medical assistance from any qualified provider in the state.

The SMHS waiver program has been in effect since 1995, and the current waiver renewal term (2011-2013) represents the seventh waiver renewal period. DMH will operate this waiver through the interagency agreement with DHCS until the functions and sole responsibility transfer to DHCS, effective July 1, 2012 per AB 102.

The SMHS waiver population consists of all full scope Medi-Cal beneficiaries, all of whom can access services through the SMHS waiver if they meet specified medical necessity criteria. This includes special needs populations defined as adults who have a serious mental disorder (Welfare and Institutions (W&I) Code, Section 5600.3(b)) and children with a serious emotional disturbance (W&I Code, Section 5600.3 (a)).

Medi-Cal beneficiaries are eligible to receive specialty mental health services if they meet all three medical necessity criteria (diagnosis, impairment, and intervention), as described in Title 9, California Code of Regulations (CCR), Section 1830.205.

- Diagnosis - Must have one or more of 18 specified Diagnostic and Statistical Manual of Mental Disorders (DSM) IV or comparable International Classification of Diseases (ICD) 9 diagnoses.
- Impairment – The above diagnoses must result in one of the following conditions:
  - significant impairment of an important area of life functioning;
  - probability of significant deterioration in an important area of life functioning; or
  - for children under 21, a probability that the child will not progress developmentally as individually appropriate. Children covered under EPSDT qualify if they have a mental disorder which can be corrected or ameliorated or when specialty mental health services are necessary to correct or ameliorate a defect, mental illness or condition of a child.
- Intervention Related Criteria - Medi-Cal beneficiaries are only eligible to receive services if:
  - the service is to address the impairment condition;
  - the service is expected to significantly improve the condition; and
  - the condition would not be responsive to physical health care based treatment.

The services provided under the SMHS waiver to eligible beneficiaries include:

(a) Rehabilitative mental health services

- 1) Mental health services
- 2) Medication support services
- 3) Day treatment intensive
- 4) Day rehabilitation
- 5) Crisis intervention
- 6) Crisis stabilization
- 7) Adult residential treatment services
- 8) Crisis residential treatment services
- 9) Psychiatric health facility services

- (b) Psychiatric inpatient hospital services
- (c) Targeted case management services
- (d) EPSDT services, for beneficiaries under 21 years of age

The SMHS waiver covers only specialty mental health services; therefore, county mental health plans are not responsible for the “Early and Periodic Screening” component of EPSDT. County MHPs may perform the diagnosis function through assessment of beneficiaries requesting services. County MHPs are responsible only for arranging for or providing corrective treatment identified by a screening or referral or by the mental health plan’s own assessment process. County MHPs cannot deny an initial assessment to determine if a beneficiary meets the medical necessity criteria for receiving services.

#### *“Regular” Mental Health Services (non-SMHS)*

The SMHS waiver program does not provide services to beneficiaries who do not meet the medical necessity criteria for specialty mental health services (i.e. do not have any of the mental health diagnoses listed in the waiver). In these cases, the Medi-Cal fee-for-service or Medi-Cal managed care plans provide the services. In fee-for-service these services are subject to a two visit per month limit and available for:

- Diagnoses that the SMHS waiver does not cover;
- Impairments resulting from mental health diagnoses that are not considered significant; and/or
- Impairments that general physical health care practitioners can treat and do not require the services of a licensed mental health care practitioner.

Under EPSDT, children can receive services beyond the two visit limit if medically necessary. Unlike adults, children eligible for EPSDT services who have waiver-excluded diagnoses can also receive services from Licensed Clinical Social Workers, Marriage and Family Therapists, and Registered Nurses.

#### Medi-Cal Managed Care

Medi-Cal managed care plans must provide or arrange for all medically necessary Medi-Cal covered mental health services unless the contract specifically excludes them. This includes outpatient mental health services that are within the scope of practice of primary care physicians and psychotherapeutic drugs prescribed by primary care providers (except those specifically excluded in the contract)<sup>3</sup>. Medically necessary covered services include emergency department facility charges and professional services (excluding those provided by specialty mental health providers); emergency and non-emergency medical transportation services; and laboratory and radiology

<sup>3</sup> This general description applies for most Medi-Cal managed care plans, but there are some exceptions for the managed care plans that cover San Mateo and Solano counties and the Kaiser contract in Sacramento County.

services when necessary for the diagnosis, monitoring, or treatment of a member's mental health condition.

As part of their responsibility for coordination of care, Medi-Cal managed care plans must have written policies and procedures to ensure that they assist members who need mental health services that the plan does not cover. If the member has a tentative psychiatric diagnosis that meets eligibility criteria for specialty mental health services, the managed care plan must make appropriate referrals to the county MHP. If the member has a psychiatric diagnosis that the county MHP does not cover, the managed care plan must refer them to an appropriate fee-for-service Medi-Cal mental health provider and must consult with the county MHP as necessary to identify other appropriate community resources and help the member to locate available mental health services.

It is important that the Medi-Cal managed care plans have appropriate mechanisms to coordinate with county MHPs; therefore, their contracts with DHCS require them to negotiate in good faith and execute a Memorandum of Understanding (MOU) with the local MHP. The MOU must specify the respective responsibilities and protocols of the Medi-Cal managed care plan and the MHP in delivering medically necessary covered services and specialty mental health services to members.

Medi-Cal managed care plans must also cover and ensure the provision of screening, preventive and medically necessary diagnostic and treatment services for members under 21 years of age including EPSDT supplemental services.

## **ADMINISTRATIVE FUNCTIONS CURRENTLY PERFORMED BY DMH**

*AB 102 requirement: A detailed description of the state administrative functions currently performed by the State Department of Mental Health regarding Medi-Cal specialty mental health managed care and the EPSDT Program.*

DHCS and DMH work in partnership to administer specialty mental health services in the Medi-Cal program. However, the program operation and day to day administrative activities rest with DMH. The following describes those administrative functions in the Medi-Cal program for which DMH is currently responsible:

**Medi-Cal Program Compliance:** assure that county mental health financial and clinical programs comply with federal and state laws and regulations, the MHP contractual requirements, and the provisions of the SMHS waiver.

- System Reviews - ensure that local public mental health programs and their contract providers comply with state and federal laws & regulations for participation in Medi-Cal programs. The Medi-Cal Oversight Branch reviews one-third of the MHPs annually, thereby reviewing each mental health plan once every three years.

- Chart Reviews – review adult out-patient, inpatient and EPSDT services to ensure their compliance with federal and state laws and that billed services meet medical necessity criteria for reimbursement.
- Treatment Authorization Request (TAR) Appeal Reviews and Lawsuits – administer the second level TAR appeals process and all aspects of TAR lawsuit processing.
- Clinic Certification and Re-Certification - conduct annual on-site certifications and re-certifications of county MHP owned and operated outpatient clinic treatment programs to ensure that each office or facility meets the requirements to allow the clinic to submit Medi-Cal claims.
- Questionable Medi-Cal Billing Investigations – provide fiscal oversight of the MHPs and their service providers and contractors. Refer cases determined to show significant evidence of fraud, waste or abuse to DHCS for further audit and investigation.
- Annual License Review: conduct annual licensing reviews for a total of 42 Psychiatric Health Facilities (PHFs) and Mental Health Rehabilitation Centers (MHRCs) facilities ensure compliance with licensing regulations and statutes and to ensure health and safety of patients. Some of the PHFs licensed by DMH are also certified by CMS as a hospital.
- Unusual Occurrence Reports: conduct 500-550 Unusual Occurrence Reports (UOR) and complaint investigations per year from various facilities licensed or certified by DMH.
- Criminal Background Checks - process approximately 2,000 criminal background checks per year for staff to be hired at licensed (PHF + MHRC) facilities
- Section 5150 Facilities: review and track all MHP designated 5150 facilities and providing Department approval.
- Annual Certifications: conduct annual certification of 137 facilities in coordination with staff from Department of Social Services (DSS) for Community Residential Treatment System (CRTS) facilities and Community Treatment Facilities (CTF), and with staff from Department of Public Health (DPH), for Special Treatment Programs within Skilled Nursing Facilities (STP/SNF). DSS and DPH license the facilities and ensure physical plant safety, and DMH provides the mental health expertise for the mental health program and staff evaluation and recommendations including those pertaining to health and safety, the environment, and the use of seclusion and restraint in the delivery of mental health programming.
- Financial Audits – conduct financial audits of mental health programs and county MHP Short-Doyle/Medi-Cal cost reports to determine compliance with State and federal laws, regulations and policies.

- Preadmission Screening and Resident Reviews (PASRR) – assure that all Medi-Cal beneficiaries admitted to skilled nursing facilities receive screening for mental illness. If the screening reveals possible mental illness, DMH provides an independent evaluation to determine proper services and level of care. The PASRR function is statewide, required by federal law and customized in California by the Davis, et al. v. CHHSA, et al. lawsuit.

**County Medi-Cal Program Technical Assistance:** acts as the single point of contact for MHPs. DMH's primary functions include:

- Provide technical assistance to MHPs on regulations, policies, procedures, and Medi-Cal Oversight Compliance Reviews.
- Represent the State in MHP Quality Improvement Committee meetings.
- Review and approve modifications to the Consolidated Specialty Mental Health Implementation Plans.
- Monitor DMH's State Management Advisory and Response Team Frequently Asked Questions web page.

**Information Technology Support for Medi-Cal Systems and Subsystems:** the primary systems include:

- Information Technology Web Services: this web portal serves as a gateway and provides secure access to multiple information systems at DMH.
- USL Financial Service application: facilitates Accounts Payables, Accounts Receivables and General Ledger functions for the Short Doyle/Medi-Cal (SD/MC) payments.
- Decision Support Systems - Phase I: stores various Medi-Cal related databases for processing, analysis, and reporting. Phase II is the database for SD/MC Phase II and provides data for analysis and reporting.
- Disallow Claims System: allows counties to disallow (void) claims adjudicated in the Phase I system. Counties then repay DMH for any appropriate funds, and the system will eliminate identified claims from future audit samples.
- County Financial Reporting System: provides DMH County Financial Program Support section with the mechanism to process Local Mental Health Program Cost Reports showing SD/MC, realignment and other cost revenues by legal entity and mode of service.

- On-Line Provider system: manages information regarding legal entities and providers of public mental health services in California and provides data for the SD/MC Phase II system to adjudicate claims to the counties.
- Monthly MEDS Extract File: provides county MHPs with three Medi-Cal eligibility data files as one of the sources to determine a beneficiary's Medi-Cal eligibility.
- In-Patient Consolidation/134 File: allows counties to view and report the inpatient claims data files provided by the fiscal intermediary under Managed Care Phase I. Counties use this information to verify realignment offsets by DMH and reconcile paid claims with their systems.
- Preadmission Screening and Resident Review (PASRR): under the Omnibus Budget Reconciliation Act System, PASRR is federally mandated to refer, track, and maintain the data to determine the placement and treatment of seriously mentally ill residents in skilled nursing facilities.
- Payment Error Rate Measurement (PERM) Data – IT: the PERM program measures improper payments in Medicaid and the State Children's Health Insurance Program, and it produces state and nation-level error rates for each program.
- Automated file Transfer: this is an application (runs as a Windows service) to perform pre-defined operations on all the inbound and outbound files. The most common pre-defined operations include copying the files, file compression, executing stored procedure, and email notification.

**Data Management & Support for Medi-Cal Program:** provides data management, analysis and support for Medi-Cal programs and services. Primary functions include:

- Medi-Cal Oversight Reviews – these reviews randomly select claim samples for scheduled oversight reviews. They include claim samples for 20 outpatient reviews and 7 – 10 inpatient facility reviews per year.
- Audit Summary/Detail Reports – Summary reports provided to Program Compliance Audits for scheduled county audits.
- EPSDT Oversight Reviews – these reviews randomly select claim samples for specific legal entities and provide them to a DMH contractor for oversight reviews scheduled throughout the year. This entity also prepares recoupment summaries following the review.
- Threshold Language Reports – this is an annual report for inclusion in the review protocol used during Program Compliance oversight reviews
- Cultural Competence Population Assessment data – provides an annual report to the Office of Multicultural Services & counties for use in preparing cultural

competence plans. This report includes demographic data such as race/ethnicity, age, language, service type and diagnosis.

- Budget Forecast – provides a semi-annual forecast of cost, clients, & units by service type for use in establishing proposed funding levels for Medi-Cal programs.
- Supportive Therapeutic Options Program – this is a semi-annual report prepared for the Department of Social Services. This report includes data/forecast on cost/client for persons aged 0 – 17 years.
- Inpatient Consolidation data – this annual report goes to fiscal policy staff for their use in determining Medi-Cal reimbursement rates.
- Ombudsman Services – provides resource and referral information for specialty mental health services in California and helps Medi-Cal beneficiaries navigate the mental health managed care system.
- Therapeutic Behavioral Services – monitoring of monthly report that summarizes clients and costs by county and age group for children/youth under age 21 with special attention to technical assistance, data analysis and training provided to the counties.
- Appeals - review and respond to appeals submitted by MHPs in response to disagreements about audit findings in EPSDT, outpatient and system review reports
- External Quality Review Organization – provides an annual review of quality, outcomes, timeliness of and access to services provided by MHPs as required by Code of Federal Regulations 42 Title 438.242.
- Conlan Claim Review – Review of paid Medi-Cal expenses per Conlan v. Bonta and Conlan v. Shewry for individuals who receive Medi-Cal services pending determination of Medi-Cal Eligibility.
- State Fair Hearings - review and coordinate with Department of Social Services for Medi-Cal beneficiaries' requests for hearing regarding denial or reduction in benefits.

**Medi-Cal Program Policy Support:** Provides policy development and analysis in support of Medi-Cal programs and services. Primary functions include:

- Medi-Cal Waiver Renewal - supports development of California's 1915(b) Medi-Cal Specialty Mental Health Services Waiver with DHCS, including response to CMS policy questions as necessary.
- State Plan - supports development of California's Medi-Cal State Plan with DHCS. Plan and support stakeholder process to develop input into State Plan Amendments.

- Federal Inquiries - tracks and responds to policy issues regarding specialty mental health services from CMS.
- County Technical Assistance - in conjunction with county program technical assistance, responds to MHP questions and resolve policy and implementation issues as they relate to Medi-Cal program.
- MHP Contract – supports development and renewal of county MHP contracts.
- Title 9 California Code of Regulations - supports development, drafting and implementation of regulations as appropriate.
- Short Doyle/Medi-Cal Phase II Claiming System – provides Medi-Cal policy consultation and direction to system programmers to ensure claiming and reimbursement is consistent with Medicaid/Medi-Cal regulations and policy.
- DMH Liaison to the California Mental Health Director's Association's Medi-Cal Policy Committee – tracks and responds to policy issues regarding specialty mental health services raised through this committee.
- DMH Letters and Information Notices – drafts letters and notices as needed for distribution to MHPs.

**Administrative and Financial Services in Support of Medi-Cal Program:** Provides all tracking, budgeting and fiscal analysis necessary to support Medi-Cal programs and services. Primary functions include:

- Accounting & Disbursements – process and disburse local assistance payments to counties, reconcile funds, and track receipt of federal financial participation accounts receivable and invoicing.
- Budgets - prepare and develop the Governor's Budget; administer, implement, monitor, and control the enacted budget; and respond to drills and requests for budgetary information from internal executive/program staff and external entities.
- Estimates - develop the EPSDT, Mental Health Managed Care, Healthy Families Program, and Short Doyle/Medi-Cal estimates.
- Local Program Financial Support - review and analyze county cost reports; settlement of actual State General Fund/federal financial participation costs to interim payments for Medi-Cal services; review and approve claiming plans and payment claims for Medi-Cal administrative activities; set fee-for-service rates for Medi-Cal programs; and prepare county allocation letters.

- County Support Functions - assist counties with claim processing and payment questions and issues. Provide claiming and payment trend reports and improvement metrics that respond to claiming system deficiencies and departmental objectives.

## PART A - PROGRAMMATIC TRANSITION

### OPERATIONAL STEPS, TIMELINES AND KEY MILESTONES FOR TRANSFER

*AB 102 requirement: Explanations of the operational steps, timelines, and key milestones for determining when and how each function or program will be transferred.*

DHCS and DMH must ensure that they identify all key steps required to facilitate the program transfer. AB 102 affirms that all regulations and orders concerning Medi-Cal specialty mental health managed care and the EPSDT Program remain in effect and be fully enforceable unless and until readopted, amended, or repealed by DHCS, or until they expire. This language assures that client and provider stakeholders know how the program will operate and can rely upon existing guidelines until DHCS takes definitive action. It also means that DHCS need not complete a major regulations or other policy overhaul to be ready for July 1, 2012.

DHCS and DMH engaged in discussions about the transfer of the specialty mental health services immediately upon the Governor's signing of AB 102. The departments established workgroups comprised of subject-matter experts in the areas of administration (budgets, accounting, contracts, and human resources), Information Technology, Audits and Investigations, and program oversight. These workgroups are reviewing all aspects of the Medi-Cal mental health services to ensure that DHCS is appropriately informed prior to the transfer in June 2012. As previously mentioned in this document, the Administration is committed to making sure that the program is first transferred successfully and then evaluated on an on-going basis to examine possibilities of program refinements, improvements, and efficiencies.

Stakeholder input has already shown to be an invaluable part of this process, as it is bringing to light issues that are worthy of examination. DHCS has placed all stakeholder comments and recommendations submitted during meetings, or to the stakeholder inbox, on the DHCS website at: <http://www.dhcs.ca.gov/services/medi-cal/Pages/MentalHealthTransitionStakeholderCommentsandSuggestions.aspx>. The DHCS workgroups have received all stakeholder comments for review, consideration and as applicable, action. DHCS and DMH will continue to collaborate on all issues related to the transfer of the Medi-Cal specialty mental health services.

The merging of the two departments' staff, processes, procedures and policies is a challenging task for all parties concerned. While DHCS will identify certain administrative and programmatic efficiencies during months-long conversations with DMH, it anticipates that a notable number of issues will also come to light following the transition, when it is fully responsible for the program administration.

DHCS will assume full supervisory and operational responsibility for all transferred functions and personnel between September 1, 2011 and July 1, 2012; however, as of the date of this report, the departments have not yet determined which functions and staff are candidates for earlier transfer than others. Therefore, although DMH staff will transfer on paper to DHCS as of September 1, 2011, DMH will retain current legal authority and management structure for day-to-day operations and supervisory responsibilities until the functions and staff transfer fully to DHCS. During this period, DMH will regularly consult with DHCS counterparts and apprise them of significant policy and program issues.

The transfer must occur by the July 1, 2012 transition date; therefore the departments must complete all operational steps and meet many of the key milestones prior to that date. The two departments will also embark on activities that may not be needed in order to transfer the program to DHCS, but will facilitate later opportunities for program or administrative improvement. In all cases completion of the tasks will require collaboration of staff from both departments. At the writing of this draft report, some items do not have resolution on completion dates and have the notation "TBD" (to be determined); however, DHCS will update them in consultation with DMH. DHCS's ability to meet the milestones is contingent on its ability to obtain the fiscal resources necessary, obtain freeze exemptions and hire positions, transfer the DMH staff and maintain the program's institutional knowledge, and obtain federal approval of any changes to the State Plan or SMHS Waiver; should there be barriers to meeting these needs, they will delay completion of the tasks.

This list is not in order of priority.

1. Stakeholder distribution list

- DHCS in collaboration with DMH, will develop a distribution list of Medi-Cal mental health program stakeholders, to include clients/families, client advocates, representatives, providers, provider representatives, counties, county representatives. (Completed July 2011)
- DHCS shall continue to augment the stakeholder list as new contact information is received. (ongoing)

2. Plan and conduct stakeholder meetings with Clients/Families/Client Advocates; Providers/Provider Representatives; and Counties/County Representatives, as required by Assembly Bill 102.

- DHCS and DMH convened meetings on July 12, July 26, and July 27 and have scheduled additional meetings for August 22 and September 13, 2011. (To be completed by September 2011)

3. Assure ongoing stakeholder engagement

- By TBD, determine how the stakeholder process(es) will continue to inform and guide the transition during various stages

- By September 2011, identify all DMH stakeholder groups, purpose, meeting frequency and associated mandates
  - By March 2012, determine the vehicles for ongoing (i.e. post-transition) appropriate stakeholder engagement.
4. Recruit and hire the Deputy Director and Division/Office Chief
- By TBD, DHCS will develop a duty statement, begin recruitment and hire. DHCS intends is to have the new Deputy Director position in place well before July 1, 2012, to provide critical leadership during the transition of staff and programming.
    - The Deputy Director will oversee the recruitment of the Chief for the Mental Health Services Division/Office. (April 2012)
  - By May 2012, DHCS will collaborate with DMH to identify appropriate national organizations and will enroll the Deputy Director in such organizations to ensure that California is appropriately represented.
5. By May 2012, analyze, categorize and prioritize stakeholder recommendations. DHCS has obtained significant input from stakeholders during the July-September process. Some of this input is necessary for DHCS to operate the program, such as ensuring the county MHPs have fully executed, current contracts with the State, and others are programmatic in nature, such as the recommendation to expand covered services to include peer support.
- By TBD, assess the recommendations for feasibility and determine priority
  - By TBD, develop plan for implementation.
6. By October 2011, list each function to transfer and identify the key associated processes for flow charting and process improvement; examples include, but are not limited to:
- Claims processing
  - Cost settlements
  - Fiscal Audit processes and overlaps
  - Chart audits (EPSDT, adult and inpatient) and appeals
  - System review program protocols and program audits
  - Annual EQRO reviews
  - PASRR LV I and LVII evaluations
  - 2<sup>nd</sup> Level TAR appeals
  - Medi-Cal clinic certifications and re-certifications
  - Professional licensing waivers
  - Establishment and maintenance of provider files
  - Develop timelines for flowcharting the above items

7. DHCS/DMH Transition Team
  - Use the existing interdepartmental transition team as a vehicle for program leads and executive management to meet weekly to discuss expected and unexpected operational transfer issues. (Ongoing through transition period)
  - The transition team will provide regular updates to the respective Directors and Agency on the status of the transition. (Ongoing through transition period)
  - The transition team will assist in development of regular updates to the Legislature on the status of the transition. (Ongoing through transition period)
8. By October 2011, develop a stakeholder communication plan to assure regular communications during the transfer and inform stakeholders of upcoming transfers of major functions
9. By January 2012, DHCS and DMH will collaborate to review state statute, and identify areas that require amendment to facilitate DHCS's administration of specialty mental health services
10. Fiscal Issues: DHCS and DMH shall collaborate to:
  - Identify the steps needed to prepare for FY 2011-12 year-end closing (TBD)
  - Identify any items in danger of reverting appropriation (TBD)
  - Fully incorporate DMH's Medi-Cal mental health local assistance budget in the Medi-Cal Estimate (May 2012)
  - Maintain integrity of funding at all levels
  - Obtain status of all invoices, repayments, etc. from DMH (TBD)
  - Refer to Part B for more information
11. Non-Medi-Cal Issues and Realignment. Monitor if and how non-Medi-Cal services currently overseen by DMH, and realignment of funding to the counties will affect the transfer of the Medi-Cal specialty mental health services. (Ongoing)
12. By TBD, identify the points of contact within DMH and DHCS for consultation with counties regarding specific Medicaid regulatory, policy and other critical county and stakeholder business and operational issues.
13. By October 2011, complete identification of organizational placement for each transferred DMH function and the reporting and supervisory relationships of staff associated with those functions.
14. By TBD, determine appropriate interface, division of responsibilities and communication between DHCS and OAC, Planning Council and remaining DMH (non-hospital) programs related to community mental health
15. Policy reviews. By June 2012, establish workgroups of staff and stakeholders to review the following and identify need for revision and updates, clarification, repeal, etc.:
  - Title 9 and Title 22 of the California Code of Regulations

- Federal regulations and laws to clarify requirements
  - State laws
  - DMH policy letters/information notices
  - Identify and monitor all active relevant mental health legislation
  - Develop timelines for implementation
16. By TBD 2012, implement fully executed Mental Health Plan Contracts.
- Coordinate with DMH and the County Mental Health Directors' Association to finalize MHP contract boilerplate
  - Submit contracts to CMS for approval
  - Fully execute all contracts
  - Submit contracts to State Controller's Office
17. Assess Non-MHP contracts
- By August 2011, DMH will provide a list of all current contracts (and terms) to DHCS
  - By September 2011, assess status of contracts and determine procurement or "assignment" needs
  - By November 2011, determine which contracts require CMS approval
18. Risk assessment. By TBD, identify and prioritize high risk issues that will transfer to DHCS
19. Prior to transfer TBD, identify critical outstanding workload. Examples include:
- Fiscal Audits
  - PASRR LV II evaluations
  - Cost settlements
  - 2<sup>nd</sup> Level TAR appeals
  - EPSDT chart reviews and use of extrapolation
  - Transfer of PASRR responsibilities to acute care hospitals (vs. NFs)
  - Recoupment of payments associated with IMD ancillary services
  - Develop timeline for implementation
20. Legal Issues and Court Decisions
- Beginning TBD, DHCS Office of Legal Services (OLS) and DMH legal staff will collaboratively work on any lawsuits and/or active court cases relating to specialty mental health services
  - By TBD, DMH legal staff will develop a list of key court decisions applicable to the DMH administered Medi-Cal mental health programs and provide it to DHCS
  - By TBD, DHCS OLS will review all legal matters applicable to specialty mental health services

21. Medicaid State Plan

- By January 2012, DHCS will determine whether any changes are necessary to the State Plan
- By January 2012, DHCS will develop timeline for writing and submitting any necessary State Plan Amendment.

22. Specialty Mental Health Services Consolidation Waiver

- a. Prior to January 1, 2012, DHCS will determine which changes are necessary to the Waiver
- b. By March 31, 2012, DHCS will submit any waiver amendments to CMS

23. Tribal notification (current process is SPA and waiver)

- DHCS will provide tribal notification on any changes to the State Plan or Waiver and obtain input as required by federal law. (Ongoing as needed)

24. Assure maintenance of cultural competence requirements for MHPs

- a. By October 2011, identify current contractual requirements
- b. By October 2011, identify processes used by DMH in assuring compliance
- c. By TBD, develop policies and plan to assure MHP accountability for cultural competence

27. By June 2012, DHCS will work with DMH Information Technology to identify, copy and transfer all webpage content and web links associated with Medi-Cal related specialty mental health services currently on the DMH website, to the DHCS website

**PLANNED OR PROPOSED CHANGES OR EFFICIENCIES**

*AB 102 requirement: A list of any planned or proposed changes or efficiencies in how the functions will be performed, including the anticipated fiscal and programmatic impacts of the changes.*

As previously stated, AB 102 requires that all regulations and orders concerning Medi-Cal specialty mental health managed care and the EPSDT Program remain in effect and be fully enforceable unless and until readopted, amended, or repealed by DHCS, or until they expire. However, this transfer and the associated stakeholder engagement clearly present an opportunity to consider how the State can identify changes or efficiencies in services, policies and procedures. The following items are those that DHCS and DMH and stakeholders have identified as opportunities that DHCS should consider during and after the transition.

Stakeholder comments greatly vary, but almost all believe that this transfer is an opportunity to address new and ongoing issues. DHCS will need to analyze the stakeholder recommendations and categorize them into 'potential for immediate action,' 'short term goal' and 'long term goal'. Most of the concerns and recommendations gathered from the July-September process can fit into broad categories as noted below.

DHCS's listing of any item does not imply that stakeholders had consensus on the recommendation or that this list is exhaustive.

With the exception of "stakeholder participation", these items require analysis before DHCS is able to determine whether it can implement the recommendations and develop a timeline to do so. Without this analysis, DHCS is not yet able to identify the programmatic and fiscal impacts of these proposed changes or efficiencies.

### **Improve Business Practices**

- Maximize the ability to claim federal funds
  - Remove reimbursement ceiling
  - Ensure reimbursement during periods of no budget
  - Facilitate school-based claiming
- Reduce the time to process reimbursements
- Streamline cost reporting and settlement process
- Eliminate redundancies in the provider certification process
- Facilitate same day billing for mental health and physical health care services
- Integrate audits
- Integrate IT systems where appropriate

There is great interest in streamlining business processes to reduce adverse impact on providers and counties; removing restrictions that limit reimbursement for mental health services or limit providers' ability to deliver services. This list is not exhaustive.

### **Assure Access and Improve Services**

- Expand client services to reflect community-based best practices such as peer support
- Focus on prevention and early intervention rather than a "fail first" system
- Continue progress on assuring cultural competence of services
- Address racial and ethnic disparities in access to care and outcomes
- Reduce discrimination and stigma experienced by clients with serious mental illnesses
- Eliminate disparity in access
  - Ensure equal access across all counties to services that meet the State Plan and Waiver requirements
  - Address inequity between mental health and physical health services
- Integrate services
  - Integrate mental health and alcohol and drug treatment services
  - Integrate with physical health
- Incentivize the use of community settings; further goals of Olmstead
- Assure accountability of the mental health system, its providers, and administrators

Stakeholders have high interest in bringing culturally services to clients that reflect current practices; supporting prevention; eliminating geographic, racial and ethnic disparities in access to services; eliminating stigma; and holding programs accountable for providing quality services to clients. The above list is not exhaustive, and DHCS anticipates undertaking extensive work with stakeholders on these issues after assumption of program administration and operations.

### **Assure Stakeholder Participation**

- Provide regularly scheduled venues for meaningful stakeholder engagement
- Consult with stakeholders on program changes, efficiencies, etc.

Stakeholders expressed interest in participating on workgroups with DHCS to monitor the delivery of specialty mental health services, as well as provide input for the refinement of the program. It will be important for DHCS to open its doors to these stakeholders, particularly to consult on the service delivery system. It will be equally important to facilitate participation of county business partners and providers in the planning for and delivery of services that best meet the needs of the clients.

DHCS has collaborated with DMH to develop a distribution list which DHCS used to communicate with stakeholders during the transition plan development process. This list will continue to grow as DHCS becomes more familiar with the subject and the entities involved. In addition, DHCS has listed stakeholder group identification as a key milestone for the transition process. DHCS has asked DMH to: provide a listing of stakeholder groups, including associations that currently meet with DADP; identify the group's purpose/charter; explain the frequency of meetings; and identify any statutory requirements for the workgroups/advisory bodies, as applicable.

## **ORGANIZATION AND LEADERSHIP**

*AB 102 requirement: A detailed organization chart that reflects the planned staffing at the State Department of Health Care Services in light of the requirements of subparagraphs (A) through (C) and includes focused, high-level leadership for behavioral health issues.*

### **Current DHCS Structure**

DHCS is comprised of 3,226.9 authorized staff positions throughout California. The department's executive level leadership includes a Director, a Chief Deputy Director who guides the Deputy Directors, division and offices that conduct the department's operations and administrative activities, and three Deputy Directors who are responsible for the programmatic aspects of the department and report directly to DHCS's Director. Each Deputy Director provides oversight and direction to subject matter-specific divisions. The Deputy Director of Health Care Delivery Systems provides leadership to

four divisions: Long Term Care; Systems of Care; Medi-Cal Managed Care; and the Low Income Health Program. The Deputy Director of Health Care Financing guides oversight of three divisions: Fee-for-Service Rates Development; Safety Net Financing; and Capitated Rates Development. The Deputy Director of Health Care Benefits and Eligibility oversees five divisions: Medi-Cal Eligibility; Benefits and Waiver Analysis; Pharmacy Benefits; Medi-Cal Dental Services; and Primary and Rural Health.

### Stakeholder Input

Stakeholders had great interest in the organizational placement of the Medi-Cal related mental health services, DMH staff, and its leadership. While opinions varied extensively, there were several common themes.

#### *Placement of the program*

Despite passage of AB 102, some stakeholders continue to oppose any movement of the program from DMH to DHCS, and whether opposed or not, they had a common concern that the transfer would result in DHCS's "regular" Medi-Cal program subsuming the Medi-Cal mental health program to the detriment of the latter. Some stakeholders also expressed concern about the effect of AB 106, which directs the transfer of the Drug Medi-Cal Program from the Department of Alcohol and Drug Programs (DADP) to DHCS effective July 1, 2012. A primary fear was that DHCS would immediately integrate the mental health program and staff with the alcohol and drug treatment services program and staff, thereby losing the two programs dedicated focus and identity. Finally, there was understandable difficulty for stakeholders discussing this placement in the absence of certainty about the placement of DMH's "non-Medi-Cal" functions, and for which DMH is conducting a separate stakeholder process. These are significant changes that are further compounded by the implementation of the Administration's plan for realignment of the mental health and alcohol and drug program functions and the coming major health care reform in 2014.

#### *Placement of DMH Program Staff*

Stakeholders expressed the concern that the transfer would result in the loss of State staff that are experienced and expert in the mental health programs. Stakeholders wanted to assure that DHCS had expertise across the service continuum and client populations and could support the service models currently in place.

#### *Leadership*

Stakeholders placed strong emphasis on DHCS having leadership that reports directly to the Director and has experience in the disciplines of mental health and substance use disorders, as well as knowledge of California's mental health system. Some suggested that DHCS should appoint separate deputy directors for the Specialty Mental Health Services and Drug Medi-Cal programs.

## New DHCS Structure

To ensure that Medi-Cal related specialty mental health services remain a viable, visible entity within DHCS and address the above issues raised by stakeholders, DHCS is adding a new Deputy Director of Behavioral Health to the executive management team. It is not feasible to appoint two deputy directors; however, the new Deputy Director will report directly to the DHCS Director. The incumbent will be a Governor's Appointee and will require Senate confirmation. The Deputy Director of Behavioral Health will oversee two new organizations: Mental Health Services Division/Office and the Substance Use Treatment Services Division/Office. This reporting structure replicates the oversight responsibilities of the other three program Deputy Directors in DHCS. The two new division/offices will function independently and will focus on their unique and separate health issues. As separate organizations reporting to the deputy director, the programs will maintain their identities and integrity and also benefit from the co-location that will facilitate better coordination and integration of services over time. A Career Executive Appointee will lead each division/office.

DHCS will begin active recruitment for the new Deputy Director position in late summer 2011 to ensure that the position is filled and actively engaged in the transfer prior to July 1, 2012. This person must have the requisite experience to successfully lead this new organization and advocate for the reporting programs. The duty statement for this position states that the incumbent must have extensive knowledge and experience in the fields of mental health and substance use disorders. DHCS plans for the timing to occur so that the new deputy director will be on board to hire the chiefs of the two reporting organizations.

Finally, this transition plan incorporates the transfer of DMH staff who currently work in the Medi-Cal mental health programs, thereby assuring appropriate knowledge and expertise in administering this program and preserving the institutional knowledge they have developed in their careers. The transfer of the Medi-Cal related specialty mental health services from DMH to DHCS will result in an increase of 118.5 civil service positions of varying classifications for DHCS. Many of the DMH staff transferring to DHCS will bring a workload assignment that is more operational or administrative in nature such as staff who work in Human Resources, Budgets, Accounting, Information Technology, and Audits. DMH staff that work in these disciplines will join DHCS's existing infrastructure, although in several cases they will form a new "unit" in that organization and maintain their focus on mental health programs. DMH staff that perform policy and programmatic activities for the mental health program will go to the new Mental Health Services Division/Office. They will continue to administer the specialty mental health services program as currently structured until such time that DHCS updates the program's policies and processes.

The new DHCS organizational structure is shown in Attachment B. Future updates to this plan will show the specific branches and sections that will result from this transfer.

## ENGAGING STAKEHOLDERS

*AB 102 requirement: A description of how stakeholders were included in the various phases of the planning process to formulate the transition plans and a description of how their feedback will be taken into consideration after transition activities are underway.*

### Stakeholder meetings:

DHCS collaborated with DMH to develop a broad email distribution list of specialty mental health services stakeholders for the following categories: clients/families/client representatives, providers/provider representatives, and County Mental Health Directors/county representatives. DHCS's Legislative and Governmental Affairs staff relayed all information to representatives of the Legislature. DHCS released 'save-the-date' meeting announcements, meeting invitations, and other related meeting materials via the new email distribution list and also utilized the DHCS website [www.dhcs.ca.gov](http://www.dhcs.ca.gov). DMH posted this same information on their website [www.dmh.ca.gov](http://www.dmh.ca.gov). The stakeholder distribution list grew throughout the process, as DHCS received numerous requests from individuals interested in the issue.

DHCS convened a total of six meetings with mental health stakeholders regarding the transfer of Medi-Cal related specialty mental health services to DHCS. Stakeholders were invited to participate in person, or by telephone, and an operator-assisted teleconference with 100-200 lines was established for each meeting. Notices for the 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> meetings in the series contained contact information for the DHCS Office of Civil Rights for individuals with disabilities who required assistive services for the meeting.

DHCS convened the first stakeholder meeting on July 12, 2011, in the East End Auditorium located at 1500 Capitol Avenue, Sacramento, CA. During this meeting, the California Health and Human Services Agency's Undersecretary of Program and Fiscal Affairs; the DHCS Director and Deputy Director of Health Care Benefits and Eligibility; and the DMH Acting Director and Acting Chief Deputy Director provided stakeholders with an overview of the meeting's purpose, the intent and mandates of AB 102, the DHCS draft timeline for the transition plan, and the processes for stakeholders to provide oral and written comments. During this meeting, Toby Douglas, Director, DHCS shared his intent to create a new position "Deputy Director, Behavioral Health" that will report directly to him. Agency, DHCS, and DMH assured stakeholders that the issues associated with the transfer of Medi-Cal related specialty mental health are a high priority. The majority of the meeting was dedicated to hearing comments from stakeholders. Ninety-five stakeholders participated in person, and 168 participated telephonically via an operator-assisted line. DHCS placed a summary of stakeholder comments from the meeting on its website.

DHCS convened the "second" stakeholder meeting as a series of three meetings on July 26 and 27, 2011. The department broke out the stakeholder meetings into three

categories over the two days to provide each stakeholder group with an equal opportunity to share their unique perspectives with the departments. DHCS invited representatives of the Legislature to attend all three stakeholder meetings. The majority of time during each meeting was devoted to receiving stakeholder comments and obtaining clarification on stakeholder positions.

DHCS held the July 26 meetings in the training rooms at 1500 Capitol Avenue, Sacramento, CA. Fourteen people attended the clients/families/client advocates meeting in person and 21 participated by telephone. Thirteen providers/provider representatives attended their July 26 meeting, with 34 utilizing the call-in line. The July 27 meeting for County Mental Health Directors and county representatives was held at the California Mental Health Directors Association offices in Sacramento, California. Eleven individuals attended the meeting in person, and 86 called in using the operator-assisted teleconference line. DHCS placed a summary of stakeholder comments on its website.

#### Website

To ensure easy public access to information about the transfer of Medi-Cal related specialty mental health services, DHCS developed a new link on its website [www.dhcs.ca.gov](http://www.dhcs.ca.gov) under the “Hot Topics” section of the homepage. DHCS updated the web site weekly and placed meeting notices on the site, generally within 24 hours of their release. In an effort to ensure transparency in its process, the DHCS web page content included all meeting notices and handouts, an excerpt of AB 102, summaries of stakeholder comments from each meeting, and redacted copies of applicable stakeholder comments received via the special email address set up for this purpose.

#### Email inbox:

DHCS created a special email address and inbox to receive written stakeholder comments on the transition plan: [DHCSMHMEDI-CALTRANSFER@DHCS.CA.GOV](mailto:DHCSMHMEDI-CALTRANSFER@DHCS.CA.GOV). DHCS review the inbox daily. Staff referred any comments that were beyond the scope of the transfer of Medi-Cal related specialty mental health services functions to DHCS to the appropriate DHCS staff person for appropriate handling.

#### Working with Stakeholders after the Transition is Underway

DHCS has obtained valuable input in this initial transition phase, and it will continue to engage stakeholders throughout the transition process and beyond. DHCS has not yet determined the viability of each of the stakeholder recommendations, and their assistance will be necessary to clarify and analyze the issues, prioritize them and implement them where appropriate. As previously mentioned, some of the recommendations represent projects that DHCS cannot immediately implement and must address in phases; therefore, DHCS expects that its stakeholder engagement will be continuous.

DHCS has an ongoing philosophy and practice of working with stakeholders to keep abreast of how the program and its services are functioning and identify needed corrections or improvements. DMH has also worked with many stakeholders as it has

administered the Medi-Cal mental health program. DHCS will assess the existing stakeholder groups and processes that DMH currently maintains and determine how it may integrate some of them into its Medi-Cal mental health program and services after the transfer is complete.

## **PART B – ADMINISTRATIVE TRANSITION**

*AB 102 requirement: Explanations of the operational steps, timelines, and key milestones for determining when and how each function or program will be transferred. These explanations shall also be developed for the transition of positions and staff serving Medi-Cal specialty mental health managed care and the EPSDT Program, and how these will relate to, and align with, positions at the State Department of Health Care Services. The State Department of Health Care Services and the California Health and Human Services Agency shall consult with the Department of Personnel Administration in developing this aspect of the transition plan.*

*AB 102 requirement: A list of any planned or proposed changes or efficiencies in how the functions will be performed, including the anticipated fiscal and programmatic impacts of the changes.*

### **PROJECT MANAGEMENT**

DHCS established a Project Management Team (Team) consisting of individuals who possess the appropriate subject matter knowledge and skills to manage the complexity and risk levels of this project. The Team is comprised of the executive sponsor (Chief Deputy Director), project lead, and project manager. The Team meetings include executive leadership and subject-matter experts from the Department of Mental Health (DMH) to ensure continued communication between both departments throughout the transition process. The Team is scheduled to meet weekly until the transition and all necessary follow-up actions have been completed.

The Team identified a need for in-depth research and a coordinated plan to implement and resolve issues affecting the consolidation efforts. The Team also identified additional DHCS internal stakeholders to participate as subject-matter experts in the areas of Human Resources, Program Support, Information Technology, etc. The DHCS Transition Team members have specific mission objectives related to their areas of expertise.

The Team has an "Issues and Risk Management" tracking database, and members will provide routine updates to the project manager for documenting mitigation efforts and solutions to prevent a disruption of service, ensure quality of operations and minimize changes to the project's resources. The DHCS Transition Team and project manager will be in direct communication to ensure they identify all areas and deal with them promptly. The Team will use status reports and the project plan to track the progress of

the DHCS reorganization and will notify management of any delays as early as possible.

All phases of the DHCS reorganization project will follow standard processes for project quality and will be retained within the Information Technology Services Division, Project and Portfolio Management Office. The project technology solutions will be subject to code, walkthroughs, rigorous testing, and user approval before moving into production.

## **SURVEY AND STAFF MEETINGS**

DHCS has taken a proactive approach to ensure it answers DMH transfer employee questions and ease any uncertainty. During the weeks of August 8 and August 15, 2011, DHCS conducted a survey to request feedback from DMH staff on the efforts of the transition team. DHCS will post the results of the survey online and forward them to affected employees.

DHCS will schedule meetings with affected employees to address questions and concerns to DHCS executive staff. DHCS conducted an initial meeting on July 25, 2011, to educate the transitioning employees on the following topics:

- Reason for the transition
- Transferring functions and positions
- Timeframes for the transition
- Background and culture of DHCS
- Discuss frequently asked questions and identify resources
- Identify next steps in the transition process

DHCS has scheduled additional staff meetings and will address topics that directly affect ongoing efforts and relevant issues to ensure transitioning employees receive a full orientation and seamless transfer to DHCS. The staff meetings provide a venue for ongoing dialogue and open communication between the transitioning employees and the leadership of both DHCS and DMH. DHCS will schedule more staff meetings as needed throughout the transition period.

## **ADDITIONAL COMMUNICATIONS WITH EMPLOYEES**

DHCS's Information Technology Services Division (ITSD) has created a transition Webpage as an easily accessible repository for information regarding the transition. The site is housed on the California Health and Human Services Intranet where DMH staff can easily access it. DHCS's Office of Public Affairs (OPA) maintains the site.

The Webpage contains the legislation that prompted the transfer, links to information about DHCS, and frequently asked questions (FAQs). OPA will update the FAQs as questions come into the "Welcome to DHCS Mail Box" or come up in other forums, such as the staff meetings. Documents related to and presented at each staff meeting are also available for viewing and downloading on this transition site. The Webpage has a link to the "Welcome to DHCS Mail Box" under "Contact Us" for DMH staff to submit any

questions they have regarding the transfer and reorganization. This page also has information regarding the Interdepartmental Liaison.

The “Welcome to DHCS Mail Box” is operational, and OPA staff monitors it on a daily basis. As questions arrive, the Mail Box sends an automatic reply to the individual asking the question, letting them know that DHCS has received their question and that they will receive a response as soon as possible. Questions go to a DHCS subject-matter expert who will draft a response. OPA will finalize the response and send it to the employee who asked the question.

DHCS has also established an Interdepartmental Liaison to help ensure that employees making the transition from DMH have a personal contact to obtain the help and information they need to complete a successful move. The Interdepartmental Liaison will be a key part of the DHCS Transition Team, which is not only working to make the process smooth for employees, but is also focusing on ensuring continued ease of public access to the programs that will be moving to DHCS. The Interdepartmental Liaison will provide employees with resources and a gateway to have their questions answered quickly and accurately.

### **INFORMATION TECHNOLOGY SERVICES**

There are 118.5 DMH positions transferring to DHCS. DHCS will provide email and Intranet services to these staff by September 1, 2011. DHCS will also provide updated workstations and software as necessary to comply with DHCS security and standards.

At least 11 IT systems will transition to DHCS. Several of the systems are part of the DMH Portal called the Information Technology Web Service (ITWS). ITWS is a shared system of 58 county and hospital applications, and some systems will stay with DMH. The ITWS system is old technology and does not meet DHCS’s standards. The departments must construct a strategy to decouple the transitioning systems from those that will remain with DMH. DHCS will also require resources to stand these applications up onto a new portal.

There is a mainframe application in the ADATABASE/Natural language and a few applications built in other technology platforms (UNIX) that DHCS does not have the expertise to support. It will be critical that the DMH staff with these skills and expertise transfer to DHCS to continue the support of these applications.

The goals and objectives of the DMH reorganization effort are to:

- Provide email and Intranet access to DMH employees who are transitioning to DHCS
- Provide new workstations to transitioning DMH employees
- “Move and enhance” DMH applications and business functions to DHCS
- Maintain DMH services to stakeholders without interruption
- Improve the efficiency of current services and processes

ITSD will move and enhance DMH systems from the DMH environment to the DHCS environment. DMH and DHCS are two separate business entities, and DHCS expects that there may be some duplicate and redundant processes. During transition and once it has stabilized systems, ITSD will revisit the processes and systems for potential enhancement and efficiency opportunities, with the goal of providing improved service to stakeholders.

To accomplish the goals and objectives, the IT staff must perform the following actions:

- Gather information regarding any IT support contracts that will need to be transferred
- Survey and gather inventory information and requirements on application software and platforms
- Obtain a complete list of servers to be realigned to DHCS
- Develop Technical and Application Requirements Specification (SRS)
- Develop System Design Specification (SDS)
- Build/Identify appropriate teams and resources from each department
- Identify tasks, create task plan(s), and assign tasks to individual(s)/team(s)
- Build out systems for Web and applications infrastructure
- Port systems over and complete configuration
- Perform application and database code reviews
- Perform systems tests
- Deploy systems from staging to production

DHCS will require funds to replace workstations, add IT infrastructure, and hire project staff to move and enhance DMH platforms and applications. Also, DHCS IT and DMH IT staff has limited availability to provide adequate support to the reorganization efforts because of current workload priorities. DHCS's mitigation strategy is to submit a Request for Offer (RFO) to fill support roles for infrastructure and application support roles. ITSD will look for other opportunities to reduce the dependency on DMH or DHCS staff time, such as having vendors image new PCs for DMH staff. In addition, the timeline must be flexible for any acquisition or resource delays. The timeline is aggressive and assumes that ITSD will have staffing and funding to move systems. If this is not feasible, it may take more time to physically move the systems.

Currently, the DHCS and DMH transition teams are working together collaboratively to perform systems inventory and system assessment on DMH IT systems. The teams are reviewing the system architecture, versioning, security, and business processes. The teams will assess, prioritize, plan, and schedule the systems transition based upon the complexity of the systems from both a technical and business function perspective.

<b>Activity</b>	<b>Start</b>	<b>End</b>	<b>Duration (months)</b>
Initiation Phase: Provide User ID, email, intranet	8/1/11	9/1/11	1
Planning Phase	9/1/11	11/30/11	3
Upgrade DMH Workstations	9/1/11	12/15/11	3.5
Systems Requirements and Inventory	9/1/11	12/1/11	3
Analysis & Design	12/1/12	2/28/12	3
Software & Hardware Transition Phase	2/28/12	6/30/12	4
Testing and Acceptance	4/15/12	5/30/12	1
Deployment	5/30/12	6/15/12	.5
Closeout Phase	6/15/12	6/30/12	.5
<b>Duration of project</b>	<b>8/1/11</b>	<b>6/30/12</b>	<b>11</b>

## **ADMINISTRATION**

**Budget:** DMH transferred partial year state operations funding and position authority to DHCS'S budget for Medi-Cal activities effective September 1, 2011, in accordance with the July 29, 2011, letter to the Joint Legislative Budget Committee. As part of the development of the Governor's fiscal year (FY) 2012-13 budget, the full year budget and position authority will transfer to DHCS. However, DMH has a General Fund budget gap. Therefore, DHCS will not receive sufficient funding to cover expenditures related to the positions and will be exploring options for additional funding, including a possible budget change proposal. In addition, DHCS is evaluating the needs to effectively run the program.

**Claims Payment:** Claims payment will transition to DHCS effective July 1, 2012. Counties claim for reimbursement through the Short-Doyle Medi-Cal II System. The intent of the transition is to make a seamless change from DMH to DHCS being the payer of the claim; as such, there is no plan at this time to change the county interface system. To facilitate this transfer, the DHCS/DMH workgroup are identifying the systems and processes that will transfer to DHCS. An evaluation is currently underway to determine opportunities for efficiencies that would improve the payment timelines for the claims. DHCS and DMH will also engage stakeholders to assist with this process.

**Employee Transition:** DMH employees will transition to DHCS effective September 1, 2011, in accordance with the July 29, 2011, letter to the Joint Legislative Budget Committee. The milestones for the financial management component of the employee transition include the creation of a new organizational structure within DHCS, creation of budget and expenditure accounting codes, establishment of positions via STD 607s, establishment of new employee accounts in the CalATERS travel system for travel reimbursement, and establishment of budget allotments for the former DMH activities.

**Medi-Cal Estimate:** The Fiscal Forecasting and Data Management Branch (FFDMB) has participated in an initial meeting with DMH management to gain a better understanding of their estimate process and will meet again in late August to allow DMH staff to provide a detailed presentation of that estimate process. FFDMB will receive two Associate Governmental Program Analysts from DMH to work full-time on their estimate process. DMH staff that currently provides data and other information for the estimate process will go elsewhere in DHCS, but they will continue to provide similar estimate development support.

**Data Analysis and Research:** The Research and Analytic Studies Section (RASS) will absorb eight DMH Data Management & Analysis Section (DMAS) positions. RASS management is working with DHCS Audits and Investigations (A&I) and DMH staff to gain an understanding of DMAS' mission and workflow. DMAS supports a number of critical functions throughout DMH; therefore, it is vitally important that RASS gain an understanding of the entirety of their tasks. RASS management has requested duty statements and inquired about strengths and interests. RASS management is currently evaluating how DMAS will be incorporated into the RASS organization.

RASS has met with A&I, which will be documenting the current workflow. RASS has also scheduled a meeting with DMAS staff to provide an overview of RASS' current organization and strategic objectives. FFDMB/RASS has been in continual contact with DMAS staff and is developing a positive relationship with staff.

**Human Resources and Labor Relations:** Effective September 1, 2011, staff in the designated 118.5 DMH positions will begin reporting to DHCS. DHCS will secure the Personnel Action Request (PAR) STD 680 forms, Employee Transfer Data STD 612 forms, Official Personnel Files, and all other necessary records for the employees transferring from DMH. DHCS Human Resources will process employment transactions to place the transferring employees onto the DHCS payroll and attendance automated systems no later than September 22, 2011 (Master Payroll Cutoff for the September 2011 pay period).

DHCS Human Resources will provide a brief presentation in August 2011 to transferring employees to ensure they complete all forms required of employees new to DHCS. On an ongoing basis, DHCS Human Resources will consult with program staff on the new organizational structure, position classifications, and any change to the essential functions of the transferring positions. On an ongoing, as needed basis, DHCS Labor Relations staff will meet with union representatives for the transferring employees and

program management to address any and all employee transfer concerns. DHCS Labor Relations will ensure that the departments provide transferring employees with adequate notice of physical moves from one facility to another facility.

**Telecommunications, Leased Facilities, and Contract Management:** The Telecommunications and Leased Facilities Unit (TLFU) will meet with DMH's facility manager to evaluate and assess program needs regarding storage, ergonomic and reasonable accommodation, confidentiality, telecommunications, employee badging, parking, and transportation. In addition, the TLFU, working in conjunction with the DHCS directorate, will determine where DMH transitioning programs will physically reside within DHCS, as well as obtain information on current leases. The TLFU will meet with the Department of General Services to discuss the DMH transition to DHCS and confirm all required tasks and documents to be completed.

TLFU is currently reviewing and evaluating available space in the East End Complex (EEC) and will be working with existing EEC programs to develop a restack plan to make available sufficient space for the transition of DMH staff to EEC. DHCS Administration is also working collaboratively with the California Department of Public Health (CDPH) to determine how much space CDPH may be able to provide to assist with this transition. DHCS will complete the space evaluation and review any subsequent restacking by February 2012. The goal is to complete all space planning activities by June 2012. During this evaluation process, staff will consider and evaluate the use of existing DMH space in current locations, moving staff in existing space within the EEC and field offices, and/or moving larger DHCS programs out of the EEC to alternative space to accommodate the transition of DMH staff into the EEC.

DHCS Contract Management staff are currently working with DMH to transition their current contracts by July 2012. DHCS Office of Legal Services (OLS) will be reviewing and resolving any contract novation/amendment issues. The DHCS Contracts Management Unit and OLS are also researching the option of developing assignment language for the contract transition.

## **AUDITS & INVESTIGATIONS**

DHCS's Audits and Investigations Division (A&I) is tasked with two responsibilities:

1. Transition and integrate DMH program compliance and cost report acceptance/settlement responsibilities within A&I's operations
2. Perform process reviews of global DMH functions identified in the transition plan.

The positions transferring from DMH to A&I are associated with the following DMH functions:

**Program Compliance Division - Audits Branch:** Audits staff conduct financial and compliance audits of cost reports of mental health programs involving Medi-Cal revenues and expenditures to determine compliance with state and federal laws,

regulations, and policies. Staff also conducts special audits at the request of executive management. The Audits Branch refers questionable Medi-Cal billing/expenditure issues to the attention of the Medi-Cal Oversight Branch (MCO).

**Program Compliance – MCO:** The MCO has multiple core functions to ensure counties comply with state and federal laws and regulations:

- **Mental Health Plan (MHP) System Reviews.** This involves onsite field reviews to ensure the clinical services of specialty mental health programs of all 58 MHPs (and their contract providers) are in compliance with all state and federal laws and regulations pertaining to participation in the Medi-Cal program.
- **Chart Reviews.** These reviews are of adult outpatient and inpatient charts and Early Periodic Screening, Diagnosis, and Treatment (EPSDT) charts to ensure providers are meeting state and federal laws and the billed services meet medical necessity criteria for reimbursement.
- **Assessment and Referral of Questionable Medi-Cal Billings (QMBs)**
- **Second Level Treatment Authorization Request (TAR) Appeals.** Teams conduct the second level TAR appeals process involving the review and resolution of disputes between mental health plans and hospitals. Teams also review and issue decisions on second level TAR appeals from fee-for-service (FFS) psychiatric inpatient hospital providers.
- **Clinic Certification/Recertification**

#### Cost report acceptance and settlement process

The goals and objectives of A&I's DMH transition plan include:

- Facilitating a smooth transition of DMH Program Compliance and Cost Report Acceptance/Settlement functions to A&I.
- Maintaining DMH services to stakeholders without interruption.
- Ensuring proper knowledge transfer from DMH to DHCS.
- Providing audit and review services to the DHCS Project Management and Transition Teams as necessary to ensure a smooth transition of DMH functions.
- Ensuring adequate facts and evidence are gathered to assist with process implementation and to give DHCS the greatest chance for success.
- Improving efficiencies via the elimination of redundant processes and the enhancement and retooling of existing processes.

To accomplish these goals and objectives, A&I staff will perform the following action items:

#### *DMH Program Compliance Division Integration into A&I*

1. DMH Process Review & Integration
  - a) Review and create flowcharts for DMH Program Compliance processes.
  - b) Process evaluation and implementation
    - i) Completed flowcharts will be utilized to evaluate DMH Program Compliance processes for purposes of implementation within A&I.
    - ii) The proposed implementation includes steps that will lead to improved efficiencies based upon the elimination of redundant processes, enhancement and retooling of existing processes, and overall economies of scale from combining DMH and A&I activities.
2. DMH field staff
  - a) Discuss options for placement of DMH Program Compliance field staff.  
*\*See Estimated Schedule Section for details*

#### *Review of Global DMH Functions*

1. DMH Process Review & Integration
    - a) Review and flowchart DMH processes
      - i) DMH claims processing, cost report acceptance/settlement, and data analytics functions shall be reviewed and flowcharted.
      - ii) DHCS Executive Office will determine additional program areas requiring review and flowcharting.
    - b) Process evaluation and implementation:
      - i) Completed flowcharts will be utilized to evaluate DMH processes for purposes of implementation within the DHCS environment.
      - ii) Proposed implementation includes steps that will lead to improved efficiencies based upon the elimination of redundant processes, enhancement and retooling of existing processes, and overall economies of scale from combining DMH and DHCS activities.
      - iii) A&I and DMH subject-matter experts will be available to provide consultation where necessary.
- \* See Estimated Schedule Section for details*

There is a risk that the review and flowcharting procedures may not sufficiently capture all aspects of the DMH processes, thereby negatively impacting implementation of DMH Program Compliance activities into A&I. Should this occur, services to stakeholders may be negatively affected. A&I and DMH Program Compliance management have devised a communication strategy and standardized process for addressing issues and concerns to minimize the risk of an incomplete assessment of workload requirements and processes.

**Estimated Schedule.** The DHCS and DMH Transition Teams are collaborating to address and complete the aforementioned actions items.

<b>Activity</b>	<b>Start Date (Est)</b>	<b>End Date (Est.)</b>	<b>Duration (months)</b>
<b>Integration of DMH Program Compliance Division</b>			
Review and flowchart remaining DMH Program Compliance Division functions and processes, such as the Medi-Cal Oversight Branch (MCO) activities.	9/15/11	10/31/11	0.5
A&I and DMH Program Compliance staff to evaluate the DMH workload flowcharts. Implementation plan to be proposed with improved efficiencies in mind.	11/1/11	12/15/11	1.5
A&I/DMH Program Compliance Division, DHCS Program Support Branch, and DHCS Labor Relations Office shall meet to discuss options for placement of DMH Program Compliance field staff.	8/15/11	TBD	TBD
<b>Review of Global DMH Functions</b>			
Review and flowchart the DMH claims processing system (DMH Community Services Division).	7/25/11	8/10/11	0.5
Review and flowchart the DMH cost report acceptance and settlement process (DMH Community Services Division, Cost Settlement Unit).	8/8/11	8/22/11	0.5
DHCS Administration Division to evaluate DMH claims processing and cost acceptance/settlement process based upon completed flowcharts.	8/8/11	8/31/11	0.75
Review and flowchart the DMH data analysis process and procedures (DMH Community Services Division). DHCS Research & Analytical Studies staff will shadow A&I.	8/9/11	8/26/11	0.5
DHCS Research & Analytical Studies Unit to evaluate DMH data analysis process and procedures based upon completed flowcharts. Implementation plan to be proposed with improved efficiencies in mind.	8/29/11	9/15/11	0.5
Review and flowchart additional DMH program areas and the related procedures as determined necessary by the DHCS Executive Office.	TBD	TBD	TBD
<b>Duration of project</b>	7/25/11	TBD	TBD

## APPENDIX A

### EXCERPT OF ASSEMBLY BILL 102

#### Chapter 8.9. Transition of Community-Based Medi-Cal Mental Health.

14700. (a) (1) It is the intent of the Legislature to transfer to the State Department of Health Care Services, no later than July 1, 2012, the state administration of Medi-Cal specialty mental health managed care, the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program, and applicable functions related to federal Medicaid requirements, from the State Department of Mental Health.

(2) It is further the intent of the Legislature for this transfer to occur in an efficient and effective manner, with no unintended interruptions in service delivery to clients and families. This transfer is intended to do all of the following:

(A) Improve access to culturally appropriate community-based mental health services, including a focus on client recovery, social rehabilitation services, and peer support.

(B) Effectively integrate the financing of services, including the receipt of federal funds, to more effectively provide services.

(C) Improve state accountabilities and outcomes.

(D) Provide focused, high-level leadership for behavioral health services within the state administrative structure.

(b) Effective July 1, 2012, the state administrative functions for the operation of Medi-Cal specialty mental health managed care, the EPSDT Program, and applicable functions related to federal Medicaid requirements, that were performed by the State Department of Mental Health shall be transferred to the State Department of Health Care Services. This state administrative transfer shall conform to a state administrative transition plan provided to the fiscal and applicable policy committees of the Legislature as soon as feasible, but no later than October 1, 2011. This state administrative transition plan may also be updated by the Governor and provided to all fiscal and applicable policy committees of the Legislature upon its completion, but no later than May 15, 2012.

(c) All regulations and orders concerning Medi-Cal specialty mental health managed care and the EPSDT Program shall remain in effect and shall be fully enforceable unless and until readopted, amended, or repealed by the State Department of Health Care Services, or until they expire by their own terms.

14701. (a) The State Department of Health Care Services, in collaboration with the State Department of Mental Health and the California Health and Human Services Agency, shall create a state administrative and programmatic transition plan, either as one comprehensive transition plan or separately, to guide the transfer of the Medi-Cal specialty mental health managed care and the EPSDT Program to the State Department of Health Care Services effective July 1, 2012.

(1) Commencing no later than July 15, 2011, the State Department of Health Care Services, together with the State Department of Mental Health, shall convene a series of stakeholder meetings and forums to receive input from clients, family members, providers, counties, and representatives of the Legislature concerning the transition and transfer of Medi-Cal specialty mental health managed care and the EPSDT Program.

This consultation shall inform the creation of a state administrative transition plan and a programmatic transition plan that shall include, but is not limited to, the following components:

(A) Plan shall ensure it is developed in a way that continues access and quality of service during and immediately after the transition, preventing any disruption of services to clients and family members, providers and counties and others affected by this transition.

(B) A detailed description of the state administrative functions currently performed by the State Department of Mental Health regarding Medi-Cal specialty mental health managed care and the EPSDT Program.

(C) Explanations of the operational steps, timelines, and key milestones for determining when and how each function or program will be transferred. These explanations shall also be developed for the transition of positions and staff serving Medi-Cal specialty mental health managed care and the EPSDT Program, and how these will relate to, and align with, positions at the State Department of Health Care Services. The State Department of Health Care Services and the California Health and Human Services Agency shall consult with the Department of Personnel Administration in developing this aspect of the transition plan.

(D) A list of any planned or proposed changes or efficiencies in how the functions will be performed, including the anticipated fiscal and programmatic impacts of the changes.

(E) A detailed organization chart that reflects the planned staffing at the State Department of Health Care Services in light of the requirements of subparagraphs (A) through (C) and includes focused, high-level leadership for behavioral health issues.

(F) A description of how stakeholders were included in the various phases of the planning process to formulate the transition plans and a description of how their feedback will be taken into consideration after transition activities are underway.

(2) The State Department of Health Care Services, together with the State Department of Mental Health and the California Health and Human Services Agency, shall convene and consult with stakeholders at least twice following production of a draft of the transition plans and before submission of transition plans to the Legislature. Continued consultation with stakeholders shall occur in accordance with the requirement in subparagraph (F) of paragraph (1).

(3) The State Department of Health Care Services shall provide the transition plans described in paragraph (1) to all fiscal committees and appropriate policy committees of the Legislature no later than October 1, 2011. The transition plans may also be updated by the Governor and provided to all fiscal and applicable policy committees of the Legislature upon its completion, but no later than May 15, 2012.

## APPENDIX B

### CURRENT DEPARTMENT OF HEALTH CARE SERVICES FUNCTIONS RELATED TO THE SPECIALTY MENTAL HEALTH SERVICES WAIVER

As the Single State Agency for Medicaid, DHCS has current responsibilities (i.e. pre-transfer) for administration of the Specialty Mental Health Services waiver and is accountable to CMS for the following:

#### Policy and Programmatic Functions

- Single State Agency Roles and Responsibilities
  - Compliance with federal laws and regulations
  - Issue policies, rules, and regulations on program matters.
  - Policy review, analysis and interpretation
  - Administer or supervise the administration of the State Plan
  - Inter/intra departmental liaison and subject matter expert
- Specialty Mental Health Services Waiver
  - Prepare (in collaboration with DMH), review and submit waiver renewal applications and amendments.
  - Responsible for administrative oversight
  - Respond to federal CMS inquiries
  - Monitor cost effectiveness and programmatic functions
  - Consult with Indian Health Programs
  - Develop State Plan Amendments
  - Assist with planning and participate in stakeholder meetings
  - Review and submit to CMS the Mental Health Plans (MHP) Contract
  - Develop, revise and oversee the Interagency Agreement
  - Review County Information Notices and other Medi-Cal mental health related information
  - Prepare reports and responses for Department, Agency, Legislature and CMS
  - Provide support and assistance with litigation and law suits

#### Fiscal/Financial Functions

- Provide policy guidance regarding implementation and system changes/updates for the Short Doyle/Medi-Cal II system
- Review, approve and process invoices for payment
- Draw down federal financial participation
- Facilitate processing of encumbrances
- Conduct federal mandated reporting (CMS 64 Reports, Per Member Per Month, Quarterly Reconciliation)

- Address issues related to CMS Deferrals and Overpayments, and Recoupment
- Respond to CMS audit findings and inquiries related to financial reporting
- Provide guidance on federal certification and certified public expenditure requirements
- Prepare Medi-Cal fiscal/policy budget assumptions
- Review, approve and coordinate aid code updates
- Review and approve county school-based Medi-Cal Administrative Activities plans
- Development of supplemental payment program

### **Legal Services**

- Provide legal consultation, review and analysis
- Review and approve waiver renewals and amendments
- Review and approve State Plan Amendments
- Participates in litigation and law suits

### **IT Support**

- Short Doyle/Medi-Cal (SD/MD) Phase II roll-out, system changes, updates, and guidance
- Participate in state and county SD/MC II task groups
- Add/update rates for fee-for-service/Medi-Cal (FFS/MC) hospitals (rates are developed by DMH)
- Update master file for FFS/MC hospitals
- SD/MC II Activities
  - Business Analysis
  - Contract Management
  - HIPAA subject matter expertise
  - County/trading partner outreach and training
  - System testing
  - Companion Guide Analysis
  - Claim reporting analysis

### **Audits/Investigations**

- Receive referrals of suspected fraud, waste, and abuse from DMH and refer for investigation
- Collaborate with DMH on investigations and/or administrative sanctions
- Refer to state and federal agencies for further enforcement as it relates to fraud, waste and abuse
- Monitor MHPs and contractors for fraud, waste, abuse

**APPENDIX D****Timeline for stakeholder participation and transition plan development**

Date	Activity
June 27, 2011	DHCS sends “save-the-date” notice for meeting #1
June 28, 2011	AB 102 signed by Governor
June 30, 2011	DHCS creates inbox for stakeholder comments
July 8, 2011	DHCS sends meeting #1 notice, agenda and handouts
July 12, 2011	DHCS convenes stakeholder meeting #1
July 14, 2011	DHCS specialty mental health webpage goes ‘live’  DHCS places all meeting #1 documents onto the website
July 14, 2011	DHCS-requested due date for stakeholders to provide input for use in developing agendas for stakeholder meetings #2
July 18, 2011	DHCS sends “save-the-date” notices for stakeholder meeting, series #2; DHCS places stakeholder inbox comments received through July 17 onto website
July 19, 2011	DHCS places save-the-date meeting #2 notices onto website
July 21, 2011	DHCS sends meeting agenda #2 and handouts; DHCS places stakeholder inbox comments received July 18-21 onto website; DHCS places summary stakeholder comments from July 12 <sup>th</sup> meeting onto website
July 22, 2011	DHCS places meeting #2 agenda/handouts onto website
July 26, 2011	DHCS convenes separate stakeholder meetings with clients and providers (representatives of the Legislature invited)
July 26, 2011	DHCS convenes stakeholder meeting with counties (representatives of the Legislature invited)
August 1, 2011	DHCS-requested due date for stakeholders to submit comments for use in developing the draft transition plan; DHCS places stakeholder inbox comments received July 22 <sup>nd</sup> to July 27 <sup>th</sup> onto website

August 3, 2011	DHCS places stakeholder inbox comments received July 28 <sup>th</sup> to August 2 <sup>nd</sup> onto website
August 8, 2011	DHCS places summary stakeholder comments from July 22 <sup>nd</sup> meeting onto website
August 10, 2011	DHCS places stakeholder inbox comments received August 3 <sup>rd</sup> to August 10 <sup>th</sup> onto website
August 19, 2011	(proposed) DHCS places stakeholder inbox comments received August 11 <sup>th</sup> to August 18 <sup>th</sup> onto website; DHCS sends meeting agenda #3 and draft transition plan; DHCS places meeting #3 documents onto website
August 22, 2011	(scheduled) DHCS convenes stakeholder meeting #3 regarding draft transition plan
August 25, 2011	(proposed) Due date for stakeholders to provide feedback on draft transition plan
August 30, 2011	(proposed) DHCS sends “save-the-date” notice for 4 <sup>th</sup> stakeholder meeting; DHCS places “save-the-date” notice onto website
Sept. 1, 2011	(proposed) DHCS places summary stakeholder comments from August 22 <sup>nd</sup> meeting onto DHCS website
Sept. 6, 2011	(proposed) DHCS sends meeting #4 agenda, and final transition plan to stakeholders
Sept.13, 2011	(proposed) DHCS convenes stakeholder meeting #4 to present transition plan
Sept. 14-19	(proposed) DHCS/DMH/Agency review and approval of transition plan
Sept.30, 2011	(proposed) DHCS and Agency submit transition plan to Legislature
Oct. '11 – May '12	(proposed) Ad hoc meetings with stakeholders; submit updated transition plan to Legislature